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The Head,

Department of Accounting and Finance,
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elfarouk105@gmail.com

+2348069393824

FOR MORE INFORMATION, CONTACT

The Editor-in-Chief on +2348067766435

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**CAPITAL STRUCTURE AND FINANCIAL PERFORMANCE OF LISTED
INFORMATION AND COMMUNICATIONS TECHNOLOGY FIRMS IN
NIGERIA**

Nasiru Adamu Kanoma

Department of Accounting,
Kaduna State University, Nigeria
adamunasirukanoma@gmail.com;
+234 8066017669

Nurudeen Usman Miko

Department of Accounting,
Kaduna State University, Nigeria
nuruddeenusmanmiko@gmail.com; nuraumiko@yahoo.com
+234 8036691170

Augustine Ayuba

Department of Accounting,
Kaduna State University, Nigeria
ayubaaugustine5@gmail.com;
+971508984701

Idris Mohammed

Department of Accounting,
Kaduna State University, Nigeria
idrisu02@gmail.com;
+234 8063234829

Mark G, Tagwai

Department of Accounting,
Kaduna State University, Nigeria
mark.tagwai@kasu.edu.ng;
+234 934201721

Abstract

This study seeks to examine the effect of capital structure on financial performance of the listed information and communications technology firms in Nigeria. This study adopted correlation and

ex-post facto research design. The population of this study consists of all listed information and communications technology firms in Nigeria. Census sampling technique was employed. Multiple regression model based on pooled ordinary least square, robust test was adopted in analyzing the panel data obtained from audited financial statement of the listed sampled information and communications technology firms for the periods of 10 years between (2013- 2022). The study reveals that both long term debt financing ratio short term debt financing, and debt to equity financing ratio have positive and significant influence on return on assets of the listed information and communications technology firms in Nigeria. On the other hand, equity financing ratio has a positive but insignificant effect on performance of listed information and communications technology companies in Nigeria. Therefore, it is recommended that the management of the listed information and communications technology firms in Nigeria should initiate coherent and integrated financial policies towards encouraging long-and short-term debt financing and debt to equity financing to ultimately improve the financial performance of the list information and communications technology firms in Nigeria.

Keywords: Debt to equity financing and equity financing ratio, long term debt, short term debt,

1. Introduction

Financial performance has been the major concern of investors, stakeholders as well as entire economy at large. Meanwhile, the survival and wellbeing of every organization can be ascertained through financial performance of the organization. Financial managers and other stakeholders considered financial performance as an essential indicator in any business operation. Meanwhile, Amponsah, Michael and Hughes (2013) expressed that a firm financial performance could be seen as shareholders' value or 'wealth' of an organization. And, Fabian, James and Moshi (2014) opine that financial performance provide valuable tool for the evaluation of past financial performance as well as current financial position of a firm. In the opinion of Ross, Westerfiel and Jaffe (2009) emphasized that a good financial performance signifies the extends to which profit is maximize in an organization. In an attempt to achieve that, financial managers tend to work toward formulating policies that will ensure optimum capital structure is maintained within their organizations. Similarly, Information and Communications Technology (ICT) firms among others come up with effective financial policies to ensure that optimum capital structure is maintained in financing their business operations (Chinweobi, 2018).

Considering the link between long term debt financing ratio and financial performance, Kurfi (2003) expresses that long term debt financing ratio measures the relative weight of long-term debt to the capital structure (long-term financing) of the firm in long run. He further emphasizes that the level of long-term debt of a

firm is also believed to be one of the forces expected to influence the performance of a firm. He concluded that has a higher long-term debt as proposed by previous studies would have little resources to take care of some other objectives and vice versa.

Similarly, short term debt financing ratio is another proxy in a firm's capital structure that may be responsible to change in the financial performance of an organization. Hence, role of short term financing in ordinary business operations has been revealed in the work of Dahiru (2016) who affirmed that short term debt financing ratio is an important determinants of financial performance of firm which is used in ascertaining the changes in the financial performance and ultimately survival of an organization. Therefore, it is important to note that short term debt financing is essentially considered as the proportion of business short termed debt obligation driving from the total debt finances.

Equity financing ratio for example Chechet and Olayiwola (2014), and Akeem and Kayode (2014) considered equity financial ratio as an element of capital structure which signifies external source of financing that influences the financial performance of firm in an ordinary business operation. In the same vain, Iyoha (2017) see equity financing as an important financial indicator for investment decision, in a business operation. Thus, the financial performance of a firm can be examined through its equity financing ratio.

It is important to note that the adoption and integration of the Information and Communication Technology (ICT) into business processes have been increasing at a fast rate (Kamau, 2015). And this could be attributable to the sudden increase of the innovations owing to the world technological advancement. Although, Okinawa (2000) opined that ICT have revolutionized the way people live, learn, work and interact.

Nevertheless, ICT services have contributed immensely to the growth and development of the economy in Nigerian economy. According to the sector performance review by Africa (2012) it was reveals that the fully liberalized and highly competitive Nigerian ICT market have experience sectorial growth of 35%, as well as sector's annual contribution of 6.73% to the GDP. Also, Adebay et al. (1999) explained how businesses activities changed with the contribution of ICT over the years. Oyebisi et al. (2000) argued that the new millennium ICT adoption and diffusion have contributed immensely for the prospect and survival of the

organizations that choose to overhaul their operations with ICT. Similarly, Vanguard Newspaper (2019) revealed that ICT sector contributed 13.85 of the Nigeria's GDP in the second quarter of 2019. In this regard, this study seeks to investigate the effect of capital structure maintained by ICT firms in relation to their financial performance of listed ICT firms in Nigeria between year (2013- 2022) considering this background.

It is certain that the overall measurement of the financial wellbeing of every organization lies in its financial performance. Meanwhile, a financial manager could easily ascertain the extent to which his organizations accomplished its financial goal through financial performance. In the same vain, Chakravarthy (1986) considered financial performance as a way to satisfy investors which could be represented by profitability, growth and market value.

Considering the current global trends in development of ICT due to series of innovations and technological advancement in various sectors of the economy, managers of ICT related firms have greater opportunity to scout for more market opportunity and to improve their performances financially. Although, the emergence of ICT in Nigeria have no doubt been constraint with series of economic recessions as well as resistance to ICT compliance particularly in the public sector, which ultimately caused slow rate of growth and development of the ICT industry in Nigeria (Osibanjo & Damagun 2011). Nonetheless, the Guardian News Paper (2023) reported the contribution of Nigerian ICT sector to the GDP grew by 16.51% in 2022 as against 15.51% in 2021. Therefore, looking at the significance contribution so far made by the ICT firms in Nigerian economy, there is an urgent need for their growth and expansion to enable them keeps space in the current global ICT market. Thereby utilize the advantage of the new market environment and to ultimately increase their profitability.

Olokoyo (2013) emphasized that the Nigerian ICT firms are rarely financed by debt, rather they are been financed with equity or a mix of the equity and term financing. Accordingly, every organization has the responsibility to plan for its own capital structure towards its value maximization (Pandey, 2010). Therefore, in other to achieve that objective it is clearly argued that financial managers need to issue certain number of securities with combination of debt to meet the exact capital mix that can maximize the value of their firms (Siddiqui & Shoaib 2011). Meanwhile, the ICT firms like every other organization in Nigeria have the obligation to

determine their optimum capital structure through its capital structure to ensure the survival and growth of their business operations. Meanwhile, it is necessary for every organization to maintain an optimum capital mixed by way of striking balance or creating a trade-off between all its available capital resources and best possible benefit utilization, arises from the cost and benefit analysis that would result to a maximum return or favourable outcome from their business operations.

Nevertheless, some scholars attempted to ascertain the optimality of capital structure of some organizations by investigating the relationship and effect of capital structure on financial performances of organisations in various contexts. Therefore, to the best of the researcher's knowledge little or no study was conducted with respect to capital structure in relation to financial performance of ICT firms particularly in Nigerian between the periods of (2013 to 2022), despite the widely published articles with respect to performance of ICT industry in Nigeria. Except the study of Yusuf et al. (2020) that investigated the relationship between capital structure and financial performance of Seven (7) listed ICT firms in Nigeria between 2010-2015, where independent variables is represented by leverage measured by the combination of total debt financing only, while the dependent variable represented by return on assets and equity respectively. In this regard, this study examined effect of capital structure on performance of the ICT firms in Nigeria for ten (10) years covering the periods of (2013 to 2022) being an extension of period from the related previous study. The independent variables of this study is represented by capital structure measured by debt financing ratios; which include Long Term Debt Financing (LDF), and Short Term Debt Financing (SDF), Equity Financing (EQF) as well as Debt to Equity Financing (DEF) respectively. Whereas, the dependent variable is represented by financial performance measured by return on assets (ROA). And firm sized (FSZ) is considered as a control variable of the study.

The main objective of the study is to examine the effect of capital structure on the financial performance of listed ICT firms in Nigeria. Also, with regards to the main objective of the study, the researcher is committed towards achieving the following specifically objectives:

- i. To examines the effect of long-term debt on financial performance of listed ICT firms in Nigeria
- ii. To ascertain the effect of short-term debt financing on financial performance of listed ICT firms in Nigeria

- iii. To investigate the effect of equity financing ratio on financial performance of listed ICT firms in Nigeria.
- iv. To examines the effect of debt-to-equity financing on financial performance of listed ICT firms in Nigeria.

In line with the objectives of the study, the following hypotheses have been formulated in null forms:

Ho₁: Long term debt financing has no significant effect on financial performance of listed

ICT firms in Nigeria

Ho₂: Short term debt financing makes no significant effect on financial performance of listed

ICT firms in Nigeria

Ho₃: Equity financing ratio has no significant impact on financial performance of listed

ICT firms in Nigeria

Ho₄: Debt to equity financing ratio has no significant impact on financial performance of

listed ICT firms in Nigeria.

This study seeks to examine the effect of capital structure on financial performance of listed ICT firms in Nigeria for the period of 10 years from 2013-2022. Also, the dependent variable will be represented by financial performance and will be measured by return on assets. While, the independent variables of the study will be represented by long term debt financing ratio, shot term debt financing ratio, and equity financing ratio as well as debt to equity financing ratio.

The findings of the study will be useful for existing and potential shareholders, as it will serves as a source of information that could be useful in accessing the well-being of the listed ICT firms considering the relationship between their capital structure and their financial performance.

Furthermore, the study will serve as a source of information for policy making, to relevant authorities such as Security and exchange (SEC) among others, particularly concerning operation of the of listed ICT firms. The study will serve as basis for financial decision making to management particularly in selecting and identifying the appropriate or best capital structure mix for effective maximization of profit in their various organizations. Also, the outcome of the study would

ultimately serves as a basis for further research, as it would contribute to the existing knowledge as far the literature of accounting and finance is concern.

2. Literature Review

Long Term Debt Financing and Financial Performance

Githire and Muturi (2015) found that long term debt has a positive and significant effect on financial performance. In their effort to examine the effect of capital structure on financial performance of firms in Kenya: Evidence from firm listed at the Nairobi security exchange using the period of (2008-2013) using multiple regression techniques on equity components, long term debt component and short-term debt component as independent variable while return on asset as dependent variable. This study restricted to only listed firms in Nairobi only, so it may not be generalized

Also, Salim, and Yadav (2012) in their study on capital structure and firm performance in Malaysia for the period of (1995-2011), using panel data procedure for a sample of 237 Malaysian listed companies on the Bursa Malaysia Stock exchange during. The result shows that long term debt has significant positive relationship with the performance of the sampled firms.

Also, Onimisi (2010) who assessed the effect of capital structure on the performance of quoted manufacturing firms in Nigeria for the periods between year (2000 -2009), using performance; return on equity, return on assets and return on investment as dependents variables with financial leverage; debt to equity ratio as independents variable. The simple regression result shows that long term debt financing has significant positive effect on the performance of quoted Manufacturing firms in Nigeria. The study considered manufacturing firms.

Similarly, Abor (2005) in his study on the effect of capital structure on financial performance of firms listed on the Ghana Stock Exchange. It was discovered that long term debt had a positive and significant effect on firms' financial performance as measured by gross profit margin. The study may not be applicable in Nigerian context. Hence there is need for further study in Nigeria.

On the other hand, Ikape (2017) analyzes the effect of long term debt on financial performance of state owned Sugar Firms in Kenya between the periods of 2004-2014. Financial performance was proxied by return on assets while, independents

variable was represented by long term debt. A simple linear Regression model was used. It was revealed that long term debt is strongly negatively related to financial performance as measured by ROA. The findings of this study cannot be generalized since the work is only related to sugar firm in Kenya alone likewise the methodology used in this study is simple linear regression.

Nazaripour and Shadi (2015) studied on Impact of Debt financing & effective debt management on performance assessment in Tehran stock exchange from the period of (2010-2013) using multiple regression techniques independent variable as Debt ratio (short term debt) & ratio of long term debt & optimal structures while dependent variable as Return on asset & Return on equity and control variables as company size & company age reveals that long term debt has a negative and significant relationship with company's performance.

On the same vein, Javed et al.(2014) conducted a study on impact of capital structure on firm performance from Pakistani for the period of (2007 to 2011) using balance sheets analysis. It was revealed that long term debt financing ratio has negative impact over dependent variable. Would the result of this study remain the same if similar study is conducted in other sector of the economy?

Accordingly, Uwalomwa and Uadiale (2012) reveals that long term debt has a significant and negative impact on the financial performance of firms in their study on capital structure and financial performance of the firms in Nigeria using ordinary least square (OLS) techniques from the period of (2005-2009) on long term debt and short-term debt as independent variable while return on asset as dependent variables.

Palacios et al. (2016) investigated the effect of capital structure on performance of the SMEs, specifically; the work was done with a sample of 221 manufacturing SMEs located in Aguascalientes State in Mexico, using structural equation modeling (SEM). It was discovered that the internal financing sources influence significantly and positively the performance. Nelson et al. (2019) investigated effect of capital structure on financial performance of microfinance banking subsector in Nigeria for the period of 2009 - 2018. Independent variables consist of debt to equity ratio, long term debt ratio and total debt ratio and financial performance as measured by dependent variable of study. The study employed regression technique for data analysis. It was found that long term debt ratio has no significant influence on performance. Likewise, Ayunku (2019) discovered that

there is a negative and insignificant influence on between long term debt and financial performance amongst microfinance banks in Nigeria during the period of 2009-2018, using regression technique. Another similar study under different sector and period can be conducted to change the result of the study.

Olarewaju, (2019) investigated the relationship between capital structure and financial performance of the quoted manufacturing firms in Nigeria during the period of 1990-2016, using multiple regression techniques based on secondary panel data collected from the annual financial statement of the firms independent variable is represented by long term and short term debt financing while, dependent variable is represented by return on asset. The outcome of the study shows that there is no significant relation between long terms financing in relation to financial performance of the quoted manufacturing firms in Nigeria. However, Hasan et al. (2020) had a different view where he discovered a negative relationship between long term financing and financial performance of Kurdistan manufacturing firms. While, Cuneo (2020) investigated the effect of capital structure and financial performance of companies in Latin America for the period between (2000 to 2015). The study used secondary panel data obtained from annual financial statement of the sampled firms. Independent variable constitutes of long-term financing, short-term financing and leverage. And the dependent variable represented the financial performance. The study employed multiple regression technique of data analysis. It was found that there is a positive and significant relationship between long term financing and financial performance. If another similar research will be conducted under ICT sector is conducted with a different period. There would a different outcome.

Similarly, Alhassan (2021) maintained that long term financing have a positive and significant relation with financial performance amongst listed consumer goods in Nigeria during the period of 2011-2020, using multiple regression. But, Soumadi (2020) examined the relationship between capital structure and performance of the public Jordanian firms during the period of (2001-2006). Multiple regression model was employed based on ordinary least squares (OLS) as a technique. The outcome of the study stated that there is no significant relationship between leverage and financial performance. Nonetheless, Asaolu (2021) concluded that long term debt financing has an influence on financial performance while, examining the relationship of capital structure and financial performance of oil and gas firms in US of the period of 2010 and 2019, with the aid of multiple regression technique based on ordinary least square. On the other hand, Alhaji (2022) studied capital

Structure in relation to financial performance of 5 commercial Banks in Nigeria, for the period of 2010-2019, based on regression technique. It was found that long term debt financial ratio influence financial performance of the banks significantly and positively. In this regards, a similar study with a different period under ICT sector in Nigeria can be conducted to generate a different results.

Short Term Debt Financing and Financial performance

Uwalomwa and Uadiale (2012) studies an empirical (positive) examination of the relationship between capital structure and financial performance of firms in Nigeria using the period of (2005-2009) using ordinary least square (OLS) technique independent variables as short term and long-term debt while, dependent variable return on assets shows that debts financing have significant positive impact on the financial performance of the listed firms in Nigeria.

Also, Abor (2005) emphasized that Ghanaian listed firms relied more on short term debt financing within average of 52% as is significantly and positively affecting the financial performance of Ghanaian listed firms.

Salim, and Yadav (2012) in their study on capital structure and firm performance in Malaysia for the period of (1995-2011), using panel data procedure for a sample of 237 Malaysian listed companies on the Bursa Malaysia Stock exchange during. The result shows that long term debt has significant positive relationship with the performance of the sampled firms.

But, Siddik et al. (2016) examine the impacts of capital structure on performance of banks in a developing economy in Bangladesh using panel data of 22 banks of year (2005–2014). It was reported that short term debt obligation to total assets. The regression results of the pooled ordinary least square analysis showed that the capital structure is inversely affecting the Bangladesh bank's performance as return on assets (ROA). Different result may have been found if a study of this nature was conducted in Nigeria with different sets of variables. However,

Nazaripour and Shadi (2015) studied the impact of debt financing and effective debt management on performance assessment in Tehran stock exchange from the period of (2010-2013), using multiple regression techniques independent variables as debt rate (short term debt) & ratio for long term debt, optimal structure while dependent variables as company size and company's age shows that short debt has a negative and significant relationship with company's performance.

In addition, Olokoyo (2013) discovered that short term debts have a significant negative impact on the firm's accounting performance measure (ROA). In his study on capital structure and corporate performance of Nigerian quoted firms for the period of 2003 to 2007 using accounting and marketing data for 101 quoted firms in Nigeria. The study employed panel data analysis by using fixed effect estimation, random effect estimation and a pooled regression model. The usual identification tests and Hausman's Chi square statistics for testing whether the fixed effects model estimator is an appropriate alternative to the random effects model were also computed for each model.

Palacios et al. (2016) investigated the effect of capital structure on performance of the SMEs, specifically; the work was done with a sample of 221 manufacturing SMEs located in Aguascalientes State in Mexico, using structural equation modeling (SEM). It was discovered that short term external sources of financing have a positive influence, but not significantly in performance, which draws attention to the importance of these companies carefully plan their capital structure, giving preference to the internal financing sources.

Olarewaju, (2019) affirmed that there is no significant relation between both short term financing in relation to financial performance of the quoted manufacturing firms in Nigeria, during the period of 1990-2016, using a multiple regression techniques based on secondary panel data collected from the annual financial statement of the firms. Then, Praise and Esther (2020) in their effort to examine the relationship between capital structure and performance of 15 quoted banks in Nigeria for the periods covered (1981-2019), found a negative and insignificant influence on financial performance of quoted banks in Nigeria. But, Hasan et al (2020) in their research titled capital structure impact on financial performance of Kurdistan manufacturing firms. It was shown that there is a negative and significant relationship between capital structure represented by short term debt financing and financial performance.

Cuneo (2020) investigated the effect of capital structure and financial performance of companies in Latin America. The study used secondary panel data obtained from annual financial statement of the sampled firms. Independent variable constitutes of long term financing, short term financing and leverage. And the dependent variable represented the financial performance. The study employed multiple regression technique of data analysis. It was found that there is a positive and

significant relationship between short term financing and financial performance of the study.

Asaolu (2021) affirmed that short term financing has a positive and significant relationship with financial performance while assessing the effect of capital structure on financial performance of oil and gas firms in United States during the periods; 2010-2019, based on multiple regression techniques of secondary data.

Equity Financing and Performance

Chechet and Olayiwola (2014) affirmed that equity financing influences financial performance positively, using panel data generated from the annual financial report of the listed companies in Nigerian stock exchange (NSE). While, Akeem and Kayode (2014) reported that equity financing has a negative relationship to firm performance.

Also, in a similar study by Kumai, and Bala (2015) it was established that there is an inverse relationship between the return on assets and equity finance of the listed deposit money bank (DMB's) and equity financing of the listed DBM's in Nigeria for the period of ten years 2005 to 2014 using annual reports and accounts of some selected listed DBM's in Nigeria. A multiple regression was used in the study. In another study conducted by Basit and Irwan (2017) it was found that total equity ratio has insignificant impact on ROA.

However, if a similar study is to be conducted in same environment under different range of periods the result would have been different considering the reviewed literatures. Thus, there is need to embark on similar study in Nigerian context particularly the banking sector to investigate the moderating effect on the relationship between the dependent variable equity financing and financial performance.

Nelson et al (2019) studied the relationship between capital structure on financial performance of microfinance banking subsector in Nigeria for the period of 2009 - 2018. Independent variables consist of equity ratio and financial performance as measured by dependent variable of study. The study employed regression technique for data analysis. It was discovered that there is a negative and insignificant relationship between return on equity and financial performance.

Nonetheless, Ullah et al (2019) affirmed that equity financing has a positive relationship with financial performance in listed cement firms of Pakistan based on

multiple regression technique of analysis via SPSS 21 version. Again, Praise and Esther (2020) in their study on capital structure and performance of 15 quoted banks in Nigeria, for the period of 1981-2019 using trade- Off, Modigliani and Miller and Pecking Order Theories. It was discovered that equity has a positive and significant influence on financial performance of the sampled firms.

Conversely, Alhassan (2021) discovered a positive relationship between equity financing and financial performance significantly amongst listed consumer goods in Nigeria from 2011 to 2020, based on multiple regression. Furthermore, Alhaji (2022) discovered that equity financial ratio significantly has an effect on financial performance positively amongst commercial banks in Nigeria, during the period of 2010 to 2019, using multiple regression technique.

Debt to Equity Financing and Financial Performance

This is the financial ratio that helps creditors to know the extent to which total debt can be covered by the value of equity share capital of shareholders of an organization, by dividing the total debt of a firm which include fixed and current liabilities by its shareholders equity. The higher the ratio the higher the leverage while, the lower the ratio the higher the level a of firm's financing that has been provided by shareholders. The total debt to total equity ratio compares the company's total liabilities to its total shareholder equity. This simply compares the creditors and shareholders' financial commitment to the firm.

A study conducted in Nigeria by Simon and Afolabi (2010) asserts that debt to equity ratio has a positive and significant relationship with firms. In a similar study in Nigeria by Olokoyo (2013) confirmed that there is a significant positive relationship between total debt to total equity and return on assets. Akinyomi (2013) studied the effect of capital structure of companies in Nigeria using data obtained from annual reports of the companies from 2007 to 2011. The result indicated a positive relationship between total debt to total equity and financial performance. Accordingly, Amos and Francis (2014) revealed that debt to total equity is positively and statistically significant with financial performance of the listed non-financial companies in Nigeria.

Also, in a study conducted by Oladeji et al. (2015) it was discovered that there is a negative relationship between leverage and firm performance of the study. Shaba and Yaaba (2016) studied the effect of capital structure on bank financial

performance among Deposit Money Bank (DBM) from year (2005-2014) in Nigeria, using secondary data. Independent variables in the study were measured by owners' funds and borrowed funds and dependent variable proxies by gross earning of the DMBs. The regression result found a positive relationship between debt-to-equity financing and financial performance.

Likewise, an Iranian study conducted by Heydar, et al (2012) revealed that there is a positive and significant relationship between total debt to total equity and financial performance. Also, Karadeniz, Kandir, Balcilar, and Onal, (2012) affirmed that total debt to total equity has a positive and significant relationship with firm performance. Syed et al (2013) studied the relationship between financial leverage and performance of listed sugar companies in Pakistan. The result indicated a significant positive relationship between total debt to total equity and financial performance. In same vain, Kajananthan, Nimalthasan (2013) realized significant positive connection between debts to equity ratio of the listed Sri Lankan firms with their performances for the period of 5 years.

Nevertheless, in a study conducted in Nigeria by Onimisi (2010) it was found that there is negative relationship between debt to equity ratio and performance of quoted Manufacturing companies in Nigeria. Also, Rasa, and Jurgita (2012) discovered a negative relationship between total debt to total equity and financial performance. Also, Maina and Kondongo, (2013) investigated the effect of debt equity ratio on performance of listed firms in Nairobi during year 2002- 2011. The result revealed that there is a significant negative relationship between total debts to total equity ratio and financial performance. Moreover, in another study conducted in Karachi, Amara and Bilal (2014) it shown that there is negative relationship between total debt to total equity and financial performance.

Also, in a study conducted in Nigeria by Olokoyo (2013) on impact of leverage (debt's ratio) and firms' performance for the period of 2003 to 2007. The outcome reveals that there is a significant negative impact on the firm's accounting performance measure (ROA). Basit and Irwan (2017) investigated the effect on impact of capital structure on firms' performance: Evidence from Malaysian industrial sector. It was found that debt to equity has negative impact on ROA in the Malaysian industrial firms. Correspondingly, Uremadu and Onyekachi (2018) opined that total debt ratio to equity has a negative but insignificant impact on returns on assets.

However, in a study by Lorpev and Kwanum (2012) it was established that there was insignificant relationship between total debt to total equity ratio and financial performance of listed manufacturing firms. In the same vein, Cengiz, Yunusand, Sukriye (2013a) studied the effect of capital structure decision on firm performance in Turkey. The results showed an insignificant positive relationship between total debt to total equity and return on assets.

Nelson et al (2019) investigated effect of capital structure on financial performance of microfinance banking subsector in Nigeria for the period of 2009 - 2018. Independent variables consist of debt-to-equity ratio, long term debt ratio and total debt ratio and financial performance as measured by dependent variable of study. It was discovered that found that there is a positive and significant relationship between Total debt ratio and financial performance of microfinance banking in Nigeria.

Also, Ullah et al (2019) established that debt to equity has a positive effect on financial performance of the listed cement corporations in Pakistan from the outcome of their study conducted titled effects of corporate governance on capital structure and financial performance with an empirical evidence of listed cement corporations in Pakistan, using multiple regression analysis aid of SPSS 21 version.

Despite that the previous studies were conducted in different part of the world such as Nigeria, Iran, Nairobi and Malaysia etc. none of these studies focused on listed examining both direct and indirect relationship of dependent variable as Performance and independent variable total debt to equity ratio through a managerial ownership as a moderating variable among DMB's in Nigeria between the period of 2009- 2018.

Review of Theoretical Studies

Pecking order theory

The Pecking Order Theory of Myers and Majluf (1984) argues that where internal cash flow is not adequate to fund capital expenditures of an organization, the firms should borrow funds outside the organization rather than issuing equity.

Brealey et al. (2009) confirm that financial managers tends to grade their mode of their internally generated financing, visa-vise the externally generated financing modes, where debt are considered as the best means of financing than equity so as to maintain the value of the firm and to counter the wrong signals of issuing equity

in the first place. That can make investors perceive that whoever buys shares as they may suspect that the shares were overpriced. Meanwhile, they may refuse to buy that share and that can lead to fall in price of the share which would invariably affect the value the firm. Since, investors do neither have the knowledge of the current status nor the future prospect of the business as far as performance is concern. The investors notice the signals from the company issue of shares, as no rational person would like to sell its shares below the its market value, since, the investors and shareholders believe that the actual value of the shares is less than what has been offered for sell by the managers.

Ehrhardt and Brigham (2009) state that managers try to avoid such wrong impression or signals to their shareholders by concentrating on internally generated funds which may lead to prioritize their source of finances, to enable them maximize the wealth and value of their business. They, further stress that the theory emphasized that the relationship between leverage and performance is negative and significant, since; high profitable firms generate more capitals from retained earnings and with less leverage.

Sultan and Adam (2015) discover positive and significant influence between capital structure and performance of listed firms in Iraq. Also, financial performance, and assets were said to be negatively influenced by the capital structure of the listed firms. Therefore, these findings concur with the expectations of the pecking order and signaling effects of capital structure in relations to firm's performance.

The bases for adopting the pecking order theory as an under-pinning theory arises from the fact that both the independent variables as well as the dependent variable of the study relate to the theory. Since the theory asserts that as the need arises for every organization to increase its capital structure, internal debt financing should be considered as the first option, followed by external debt financing as the second option and lastly the equity financing, because, the internal debt financing serves as a means of increasing managers ownership in the organization which by implication increase the managers efficiency in running the affairs of the organization and that will equally lead to an increase in the financial performance of the organization. Also, the equity financing sent bad signal to potential shareholders as they may fill that the shares were overpriced. Hence, they will not patronize the share and the organization may ultimately reduce the price of the shares which also reduces the market share value and financial performance of the

organization. In this regard, the Pecking Order Theory stands to anchor both the independent and dependent variables respectively that include long term debt financing, short term debt financing, equity financing and debt to equity financing.

3.0 Methodology

A correlational and ex-post facto research design is considered suitable for this study. The correlation will enable the researcher examine the association among the variables of the study (explanatory and explained variables) while, the ex-post facto will ensure the predictability of the relationship between independent variable and dependent variable based on the historical data or information extracted from the financial statement of the sampled firms since the central objective of the study is to examine the relationship between capital structure on the financial performance of listed ICT firms in Nigeria. The population of the study comprise of Nine (9) listed ICT firms in Nigeria as at 2023. And census sampling technique is considered suitable for the study where all the 9 listed ICT firms were selected. The Table 1 shows the population and sample size for the study:

Table 1
Population and Sample Size of the Study

S/N	Study Population (9)	Sample Selected (9)
1	Airtel Africa Plc	Airtel Africa Plc
2	Bricklinks Africa Plc	Bricklinks Africa Plc
3	Charms Holdings Company Plc	Charms Holdings Company Plc
4	Courteville Business Solution Plc	Courteville Business Solution Plc
5	CWG Plc	CWG Plc
6	E - Tranzact International Plc	E - Tranzact International Plc
7	MTN Nigeria Plc	MTN Nigeria Plc
8	NCR Nigeria Plc	NCR Nigeria Plc
9	Omatek Venture Plc	Omatek Venture Plc

Sources: Field Work (2023)

The study used secondary data from the audited financial statement of listed ICT firms in Nigerian stock exchange as the sampled firms for the period of 10 years (2013- 2022). Multiple regressions models based on ordinary least square has been employed for the analysis of the data collected through STATA 13 Version.

Moreover, variety of data diagnose tests were also conducted, as well as the regression and post regression test respectively.

Variable Measurement and Model Specification

The study will consider all the 9 listed ICT firms in Nigeria as sampled in table 1 for the periods between (2013-2022). The formula used in measuring the variables of the study were presented in the table 2:

Table 2
Variable Measurement

Variables Acronyms	Variables Measurement	Sources
Dependent Variable		
Return on Assets (ROA)	Profit before interest and tax/ Total Assets.	Menacer (2014), Yahaya & Lamidi (2015), Anarfo (2015)
Independent Variables		
Short term Debt Financial Ratio	Short Term Debt /Total Assets	Addae et al (2013), Goyal (2013), Olayiwola (2014) & Hailu (2015)
Equity Financing Ratio (EFR)	Total equity / Total assets.	Ng'ang'a (2013), Esiemogie, et al (2014) Sultan & Adam (2015)
Debt to Equity Financing Ratio (DEF)	Total debts/ Total equity.	Ng'ang'a (2013), Rafiu & John (2014) and Foyeke et al (2016)
Firm's Size (FSZ)	Natural log of total assets	Opoku, Adu and Anarfi (2013) Rajha and Alslehat (2014)

Source; Authors compilation from various literatures, 2023.

Model Specifications

In order to examine the effect of capital structure on the financial performance of ICT in Nigeria, using a modified model of Oke and Afolabi (2010).

The panel model of the study is specified thus:

$$ROA_{it} = \beta_0_{it} + \beta_1LTD_{it} + \beta_2STD_{it} + \beta_3EQT_{it} + \beta_4DTE_{it} + \beta_5FSZ_{it} + \varepsilon_{it}$$

Whereas:

ROA = Return on assets

i=firms

t=times

β_0 = intercept

β_1 - β_5 = coefficient of the explanatory variable

LTD = long term debt ratio over the period

STD = short term debt ratio over the period

EQT = equity financing ratio over the period

DTE = debt to equity financing ratio over the period

FSZ = Firm size

ε = error term of the model

Results and Discussion

This chapter presents the descriptive statistics and regression result of the study. Also, the chapter discusses the various robustness tests conducted for the purpose of ensuring that the sampled data meets the assumptions of the regression analysis. The chapter ends by discussing result of the study, key findings and policy implications of the findings.

Descriptive Statistics

The descriptive statistics is presented in table 4.1. The calculated minimum, maximum, mean, standard deviations of the variables used in the study are presented.

Table 3

Descriptive Statistic Table

Variables	Obs.	Mean	Standard Dev	Min	Max
ROA	90	0.184	0.127	0.007	0.519
LDF	90	0.044	0.048	0.000	0.217
SDF	90	0.340	0.203	0.000	0.610
EQF	90	0.516	0.203	0.008	0.747
DEF	90	0.018	0.031	0.000	0.173
FSZ	90	2.818	0.140	2.304	2.963

Source: STATA output (2023).

Table 3 presents descriptive statistic for both dependent and independent variables of the study respectively. From the table, the observation of the study is 90, that is, the study of 18 Consumer goods firms over a period of 5 years. It can be seen that the average value of return on asset stood at 0.1838 which ranges from a minimum of .0072 to a maximum of 0.5186 Also, the standard deviation value stood at 0.1268, which shows that the data is normally distributed as there is not dispersion of data shown.

More so, long term debt financing (LDF) has an average value of 0.044 with standard deviation value of 0.048 which proved that normality of the data as there is no dispersion in the data arrangement. The value ranges from the minimum of 0.00 to maximum of 0.22. This indicates that 22% of the capital structure in listed ICT firms in Nigeria contributed by long term debt.

While, short term debt financing (SDF) have an average value of 0.34 that also ranges between the minimum and maximum value of 0.00 and 0.61 respectively.

Also, debt to equity financing (DEF) has an average value of 0.51 with standard deviation value of 0.203 which proved that the data is normal since there is no dispersion in the data arrangement. The minimum and maximum value ranges from the minimum of 0.00 to maximum of 0.17. It is further discovered that equity financing (EQF) contributed the average value of 0.52 which represent 52% as far as consumer goods firms in Nigeria are concern, The EQF also show the minimum value of 0.01 and maximum value of 0.75 with no dispersion of data as evident from the value of the standard deviation, which shows the normality of the data.

Correlation Matrix

Table 4 shows the correlations between independent and dependent variables and among the independent variables themselves. The values are gotten from the Pair-wise correlation of two-tailed significance. It shows the correlation matrix with the top values showing the correlation coefficient among all variables and the asterisk (*) beside the Pearson correlation coefficient showing the two-tailed significance of these coefficients.

Table 4
Correlation Matrix

	ROA	LDF	SDF	EQF	DEF	FSZ
ROA	1					
LDF	0.4099* 0.0001	1				
SDF	0.4907* 0.0000	0.3370* 0.0012	1			
EQF	0.2918* 0.0053	0.1854 0.0803	0.7917* 0	1		
DEF	0.0622 0.5605	-0.1104 0.30001	-0.0789 0.4597	-0.0161 0.88	1	
FSZ	0.3480* 0.0008	0.2909* 0.0054	0.5883* 0.0000	0.3098* 0.003	-0.0248 0.8168	1

Sources: STATA output (2023)

Table 4 reveals that there is a relatively weak positive and significant correlation among ROA and other variables namely; long term debt financing (LDF), short term debt financing (SDF), equity financing (EQF) and debt to equity financing (DEF) respectively, based on coefficient value of 0.4099, 0.4907, 0.2918 and 0.00622 and P- value of 0.0001 and 0.0000, 0.0053 and 0.5605 respectively. Moreover, it is glaring that the correlation pattern among the independent themselves indicates that there is none of the explanatory variables is approaching 0.8. This shows that the variables are free from multicollinearity problem that may affect the outcome of the regression result. Though, this may not be enough to conclude that there is no harmful multicollinearity exists among the independent variables of the study until the Variance Inflation Factor (VIF) and the Tolerance Values (1/VIF) are found not exceeding the expected limit or ranges of values specified by their rules of thumbs, being advanced techniques for measuring multicollinearity between the regressors.

Table 5
Summary of Random Effect GLS Regression Result

Variables	Coefficient	Z- Value	P- Value	VIF	Tolerance Value
LDF	0.3681657	2.31	0,021	1.17	0.85664
SDF	0.2103536	1.72	0.086	4.36	0.2294
EQF	0.011832	0.14	0.889	3.03	0.32988
DEF	0.3966692	1.66	0.097	1.02	0.978147
FSZ	-0.0291039	-0.29	0.774	1.72	0.58266
R ²			0.341		
Adj- R ²			0.3018		
F- Stat			8.69		
F-Sig			0.0000		
Hetttest Chi2			0.0267		
Hausman Chi2			0.8372		
Breusch Pagan			0.0000		

Source: STATA output (2023)

The study has been subjected to post regression analysis to ensure that the best fit model to be used to interpret the result of study on the basis of best linear unbiased estimators “BLUE” for valid inferences. In that regard, heteroskedasticity test conducted revealed Chi2 value of 0.0267 that shows evidence of an unequal spread of data in the model of the study and it was corrected using robust OLS to ensure “BLUE” as shown in the summary of the result of the study. This was determined through the Hausman specification test conducted that yield Chi 2 Value of 0.8372, which suggested for Breusch and Pagan Lagrangian Multiplier Test (L.M-Test) for random effects. And the outcome revealed P- Value of 0.000, hence, Random effect test regression model was considered suitable for the study. But, with the presence of heteroskedascitivity the study considered Random effect test GLS as the appropriate model.

Furthermore, Variance Inflation Factor (VIF) and corresponding Tolerance Value have been displayed on the basis of rule of thumb of VIF and the Tolerance Value. Where the VIF consistently displaying smaller values less than ten (10) and the corresponding tolerance value consistently sowing smaller values less than one (1)

which ultimately indicating the absence of multicollinearity effect within independent variables of the study.

Also, cumulative R- Squared of (0.30) as the multiple coefficient of determination which indicate the percentage of total variation in the dependent variable as jointly explained by the all the independent variable, moderating variable and control variables used in the study. This means, that 30% of the variation in dependent variable is determined by the independent variable, as well as control variables jointly. This outcome is validated by the outcome of the F- Stat and F- Sig of (8.69) and (0.000) respectively, which further signified the fitness of the model of the study by 1%.

Hypothesis One (Long term debt financing and financial performance)

The table 5 shows that long term debt financing has a positive coefficient value of 0.3881657 and p- value of 0.021 which is significant at 5%. This implies for every ₦1 increase in long term debt financing there will be an increase in the ROA by 0.37%. Hence, that provides evidence for not accepting the null hypothesis which states that long term debt financing has no significant effect on ROA of listed ICT firms in Nigeria.

Hypothesis Two (Short term debt financing and financial performance)

The table 5 also, revealed short term debt financing with a positive coefficient value of 0.21035 and p- value of 0.086 at 10% level of significant. This shows that for every ₦1 increase in the short term debt financing there would be an increase in the ROA by 21% as far as listed ICT firms in Nigeria. That provides evidence for not accepting the null hypothesis which states that short term debt financing has no significant effect on ROA of listed ICT firms in Nigeria.

Hypothesis Three (Equity financing ratio and financial performance)

The table 5 has shown equity financing with a positive coefficient value of 0.011832 and insignificant p-value of 0.889. This result shows that as equity financing for every N1 increase in equity financing there would be no change in the ROA of the listed ICT firms in Nigeria. Meanwhile, it shows that the null hypothesis which states that equity financing has no significant effect on ROA of listed ICT firms in Nigeria will be accepted.

Hypothesis Four (Debt to equity financing ratio and financial performance)

The table 5 also, revealed debt to equity financing ratio with a positive coefficient value of 0.39666 and p- value of 0.097 at 10% level of significant. This shows that for every ₦1 increase in the debt to equity financing there would be an increase in the ROA by 40% as far as listed ICT firms in Nigeria is concern. That provides evidence for not accepting the null hypothesis which states that debt to equity financing has no significant effect on ROA of listed ICT firms in Nigeria.

Conclusion and Recommendations

The study was set out to empirically examine effect capital structure on financial performance of listed ICT firms in Nigeria for the period 2013-2022. In view of the findings of the study, the following conclusions were made. Long term debt financing has a positive and significant effect on financial performance of listed ICT firms in Nigeria. Moreso, short term financing has a positive and significant effect on financial performance of listed ICT firms in Nigeria. In addition, debt to equity financing has a positive and significant effect on financial performance of listed ICT firms in Nigeria.

The study recommends that board members should initiate coherent and integrated financial policies towards encouraging long-and-short-term debt financing which would ultimately improve the financial performance of the list ICT firms in Nigeria.

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